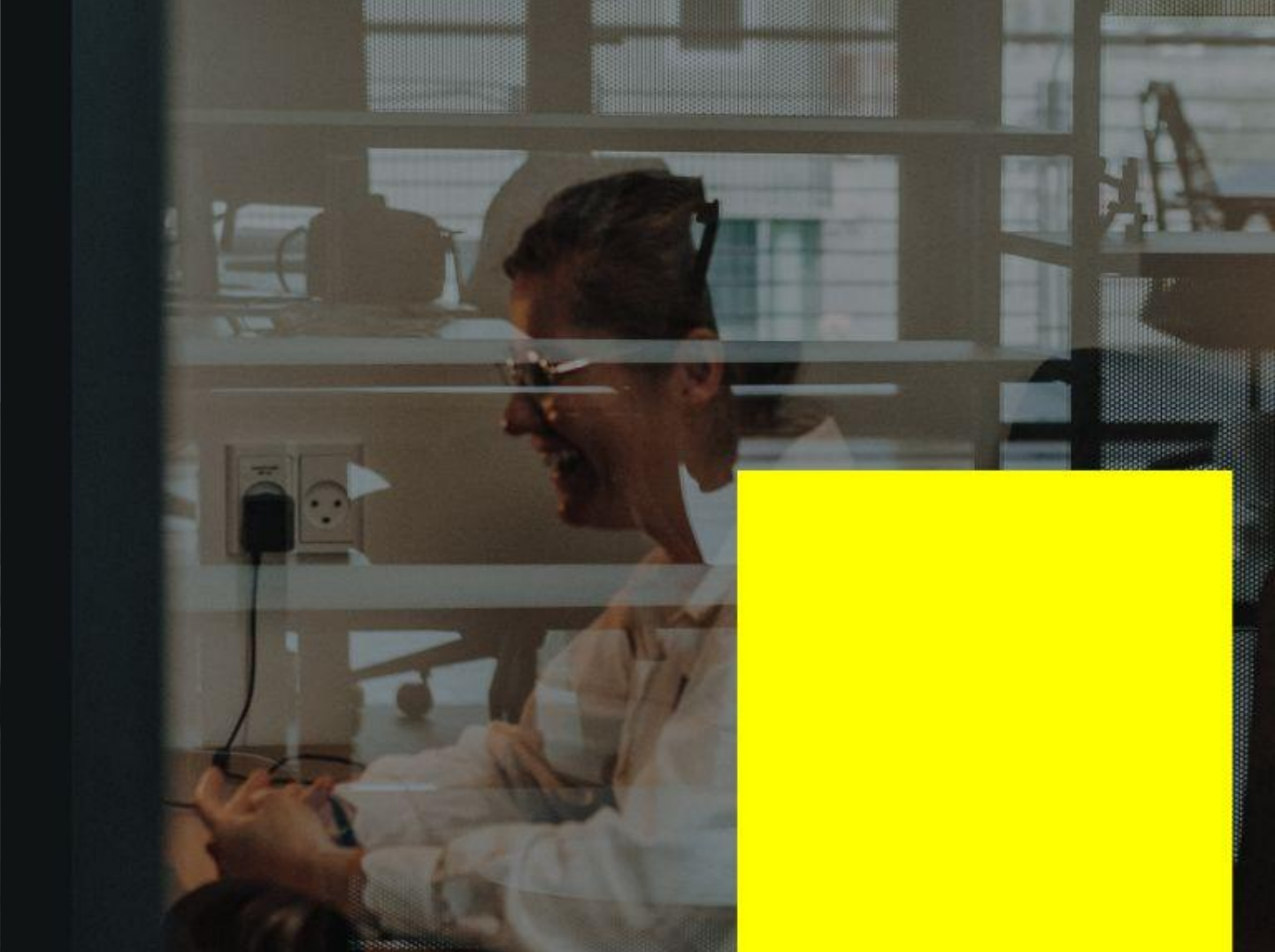


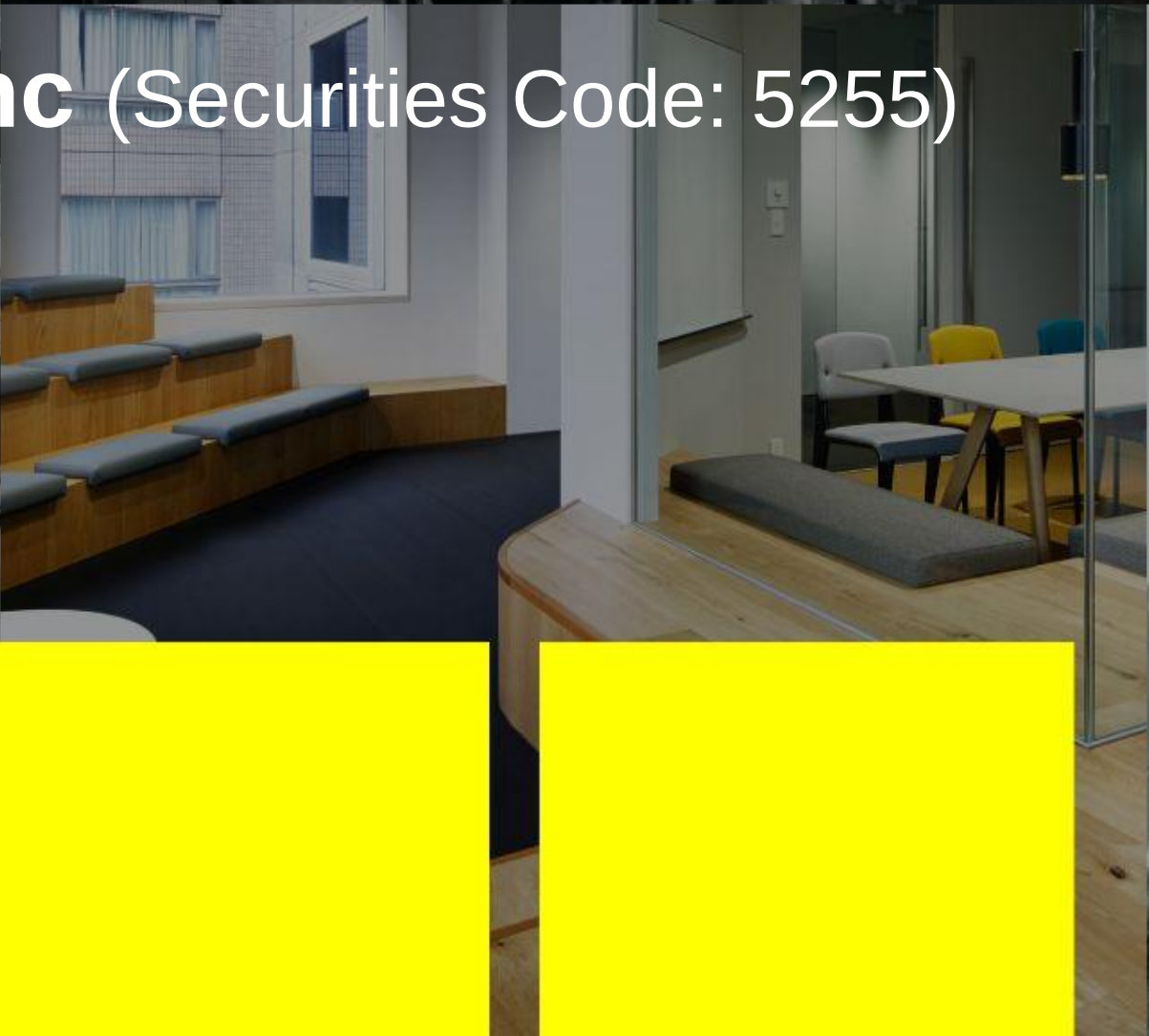


**Monstarlab ::  
FY2024 Q2 Investor Presentation Material**



**Monstarlab Holdings, Inc (Securities Code: 5255)**

August 14, 2024





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- 1. Structural Reforms and Future Direction**
- 2. FY2024 Q2 Results**
- 3. Appendix**

## CONTENTS.

### **1. Structural Reforms and Future Direction**

### 2. FY2024 Q2 Results

### 3. Appendix

# Situation surrounding our structural reform efforts

- We have been actively hiring people in EMEA and AMER as part of its up-front investment, assuming fast growth in these regions. However, the pace of growth has been slower than initially expected, and the number of non-active personnel has increased. As a result, our operations in these regions have continued to be in the red.
- Management started considering closures of unprofitable bases and reduction of non-active personnel in the second half of 2023. At the same time, management also started discussing a large-scale strategic alliance, including the introduction of capital from other companies. As the talk on this alliance was based on the premise that the current structure in EMEA and AMER would be maintained, the unprofitable structure was maintained.
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# A shift from growth-oriented management to a management approach that focuses on profit while taking balance between growth and risks

	Our management policy so far	Results and factors	New management policy
Global management	<p>Aim to be a unique growth company in the digital transformation field by operating business globally in the growing digital transformation market.</p> <ul style="list-style-type: none"> <li>▪ Monstarlab operates in 19 countries in the APAC, EMEA, and AMER regions.</li> </ul>	<p>Global operation resulted in increased management complexity. As a result, it took time to resolve regional issues.</p> <ul style="list-style-type: none"> <li>▪ As we maintained many small locations in Europe and the Americas, management became inefficient.</li> <li>▪ In the Middle East, it is difficult to forecast revenue due to differences in business practices.</li> </ul>	<p>By closing small locations, we will work to increase management efficiency through selection and concentration.</p> <p>We will continue to implement structural reforms in EMEA to ensure its return to profitability.</p>
Growth and profit	<p>By making up-front investments based on growth assumptions, aim to build a structure that generates profit as growth materializes in the future.</p> <ul style="list-style-type: none"> <li>▪ We realized growth at a CAGR of 40%.</li> <li>▪ We opened new locations in the Middle East and Europe.</li> <li>▪ We hired human resources assuming future growth.</li> </ul>	<p>While we hired people assuming future revenue growth, the actual growth rate was significantly below the initial expectations, which resulted in a significant loss.</p>	<p>We will shift to a management approach that takes balance between sound profit generation and growth.</p> <p>We will optimize our cost structure to secure profit at the current level of revenue.</p>

# Major structural reforms have been implemented in EMEA (the Middle East and Europe) and AMER.

## Closure of small locations

- Closure of locations in Germany and Shanghai, whose size has been small.

## Personnel reduction

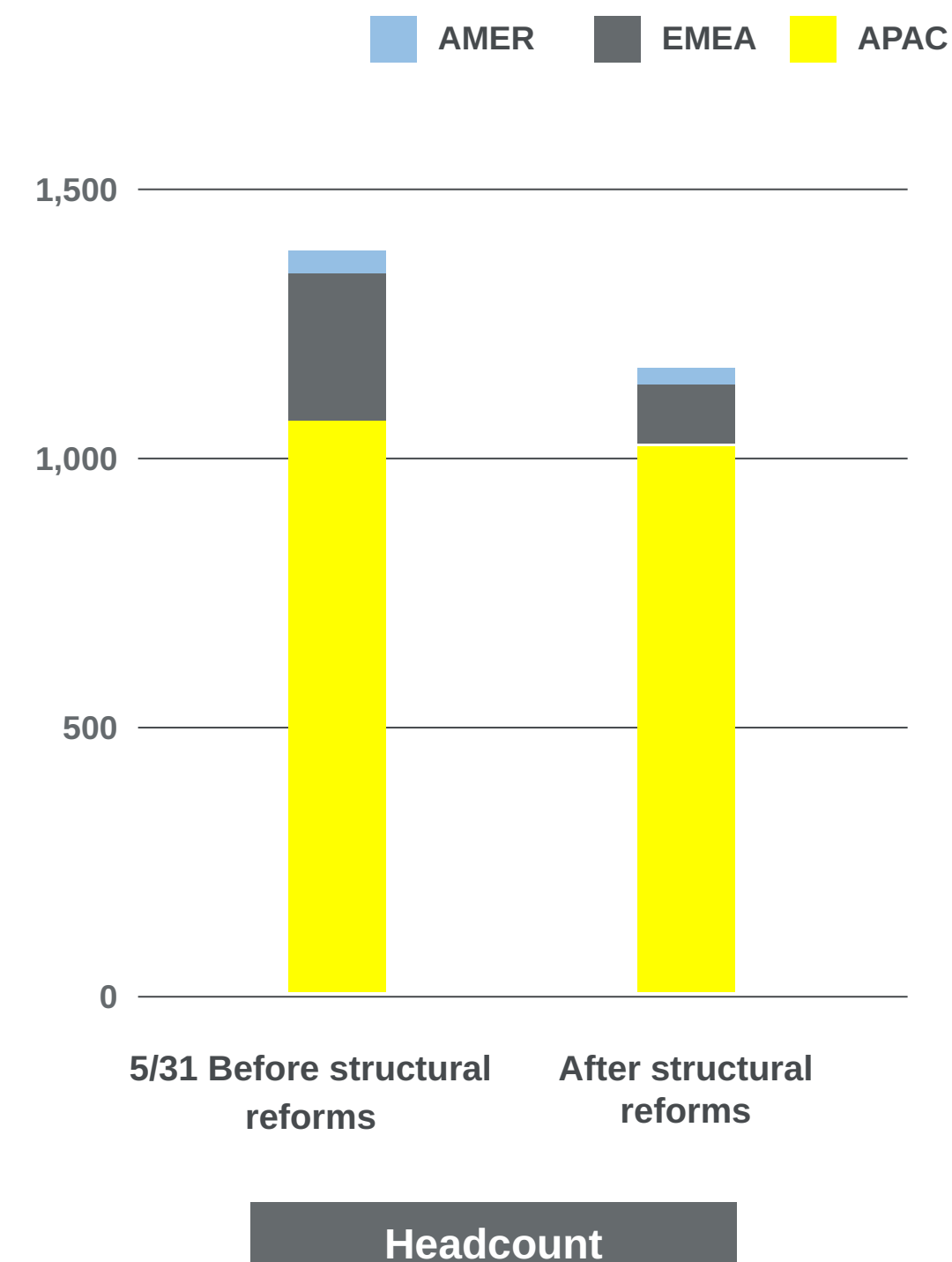
- We will reduce the number of personnel in the Middle East, Europe, and the Americas by 181 (about 56%), focusing mainly on non-active personnel. As a result, the number of personnel in the EMEA and AMER regions will be reduced from 323 to 161.
- In Bangladesh, which has served as a development and financing location for the Middle East, Europe, and the Americas, we have also reduced the number of personnel by 48 (about 34%).
- As a result of all these location closure and personnel reduction efforts, the number of our personnel on a consolidated basis will be reduced by 230 (about 16%) from 1,395 to 1,165.

## Effect of implementation

- An estimated fixed cost reduction effect of approximately 820 million yen per quarter starting from Q3.

## Structural reform expenses and impairment losses

- We recognized structural reform expenses of approximately 770 million yen in Q2, which consisted mainly of retirement payments.
- We recognized impairment losses of 4,140 million yen in Q2 due to business downsizing in EMEA and AMER.



We have recognized impairment losses due to the business downsizing resulting from significant structural reforms in EMEA and AMER. Although our net assets have become negative, we are considering multiple measures to resolve them and will announce them once they are finalized.

#### Factors behind the negative net assets

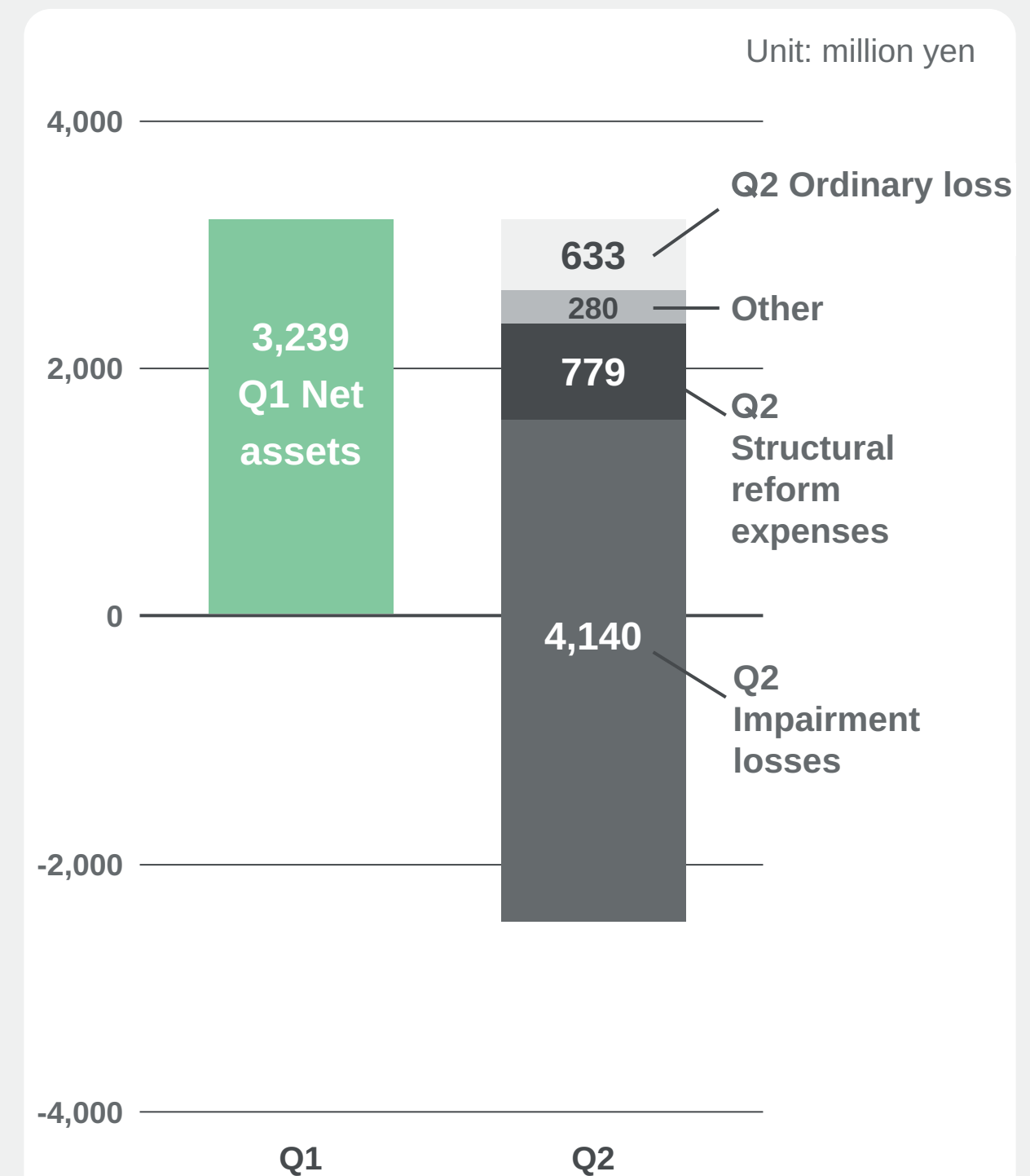
- As part of structural reforms, we have downsized our operations in EMEA and AMER. In relation to this downsizing, we have recognized impairment losses of 3,700 million yen on goodwill and 400 million yen on non-current assets of subsidiaries, which totaled impairment losses of 4,100 million yen. As a result, our net assets have become negative 2,500 million yen.

#### Efforts to resolve negative net assets

- We will strive to achieve a shift to a management style that takes balance between sound profit generation and growth by focusing on growth investments in APAC, which has been the main driver for revenue and profit, to improve business profitability.
- We will continue to implement structural reforms, which have already been well underway, in order to reduce cost on a group-wide basis.
- We are also considering measures, such as equity finance, for early resolution of negative net assets, and will actively raise funds in anticipation of future growth investments.

#### Implementation schedule of the measures to resolve negative net assets

- We are considering several measures to resolve negative net assets as soon as possible. Once these measures are finalized, they will be promptly disclosed.



With funds procured from our main bank, we maintain sufficient liquidity for business operations.

Unit: million yen

	2024 Q1	2024 Q2	Change	Percentage Change
Current assets	5,414	5,490	+76	+1.4%
Cash and cash equivalents	1,227	1,187	-40	-3.2%
Non-current assets	9,040	5,294	-3,746	-41.4%
Total assets	14,454	10,784	-3,670	-25.3%
Current liabilities	8,769	10,918	+2,149	+24.5%
Non-current liabilities	2,445	2,460	+15	+0.6%
Equity	3,239	△2,593	-5,832	—
Total liabilities and equity	14,454	10,784	-3,670	-25.3%



# Clarification of management responsibility

## Clarification of management responsibility

- We take seriously the recognition of a significant loss in the financial results for FY2024 Q2 announced today and the related implementation of personnel reduction. In order to clarify the management responsibility for these results, directors' compensation will be reduced as follows:

### Scope

- The representative director and a director (two persons in total, excluding outside directors)

### Redustions

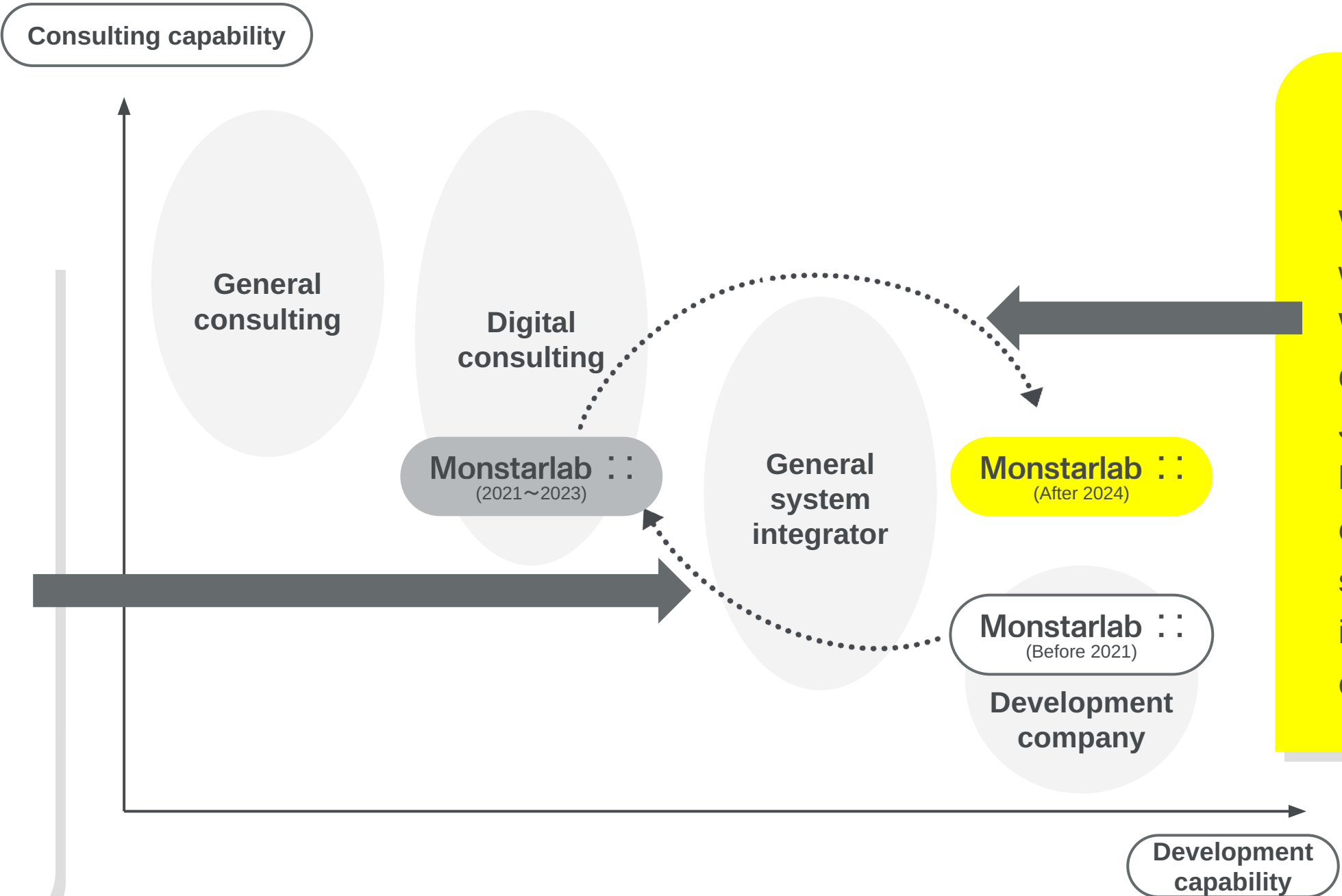
- Representative Director: Cuts on directors' compensation by 100%
- Director: Cuts on directors' compensation by 50%

### Period

- Five months from August to December 2024

**Direction toward future growth:** We will go back to development in which our original strengths lie and then combine it with our consulting capability that we have sharpened, in order to realize a unique positioning.

### Monstarlab's positioning



#### Our positioning so far

We started to strengthen our consulting capability around 2021, and changed our branding from a development company to a digital consulting company. As a result, while the number of consulting projects steadily increased, our ability to acquire development projects, which are the source of our profit, decreased.

**Our target positioning going forward**  
We will go back to development in which our original strengths lie. We will focus on acquiring development projects mainly in Japan and the US by combining our knowledge gained in our digital consulting experience with our strengths of having many engineers in regions in which development cost is lowest in the world.

In order to realize steady growth, we will maximize capacity utilization of development resources by increasing added value with the use of advanced technology and by strengthening sales of development projects.

# 1

## Enhancement of the data and enterprise system domains

- Strengthen the data domain (e.g., location information data and purchase behavior data, such as price sensitivity) in order to increase the value of the SoE domain, which is Monstarlab's strong area.
- Strengthen our capability to develop enterprise systems by utilizing generative AI (such as continuous functional enhancement of Code Rebuild AI).
- Strengthen sales promotion by converting business process optimization solutions into products by utilizing generative AI.

# 2

## Strengthen sales promotion of APAC engineer resources

- Strengthen sales promotion of our engineer resources in Japan, Europe, and the US by combining our strengths of having large-scale development locations in regions whose cost competitiveness is highest in the world with our extensive digital consulting experience in Japan, Europe, and the US.

# 3

## Strengthen competitiveness by leveraging capital contribution, alliance, etc.

- Hone our technological strength and sales capability on an ongoing basis by leveraging capital relationships, alliances, etc., with state-of-the-art technology companies, consulting firms, and business companies.



In order to strengthen development projects, we will continuously create repeatable solutions and aim to expand sales through marketing.

### Basic concept of repeatability

Extensive digital transformation project experience reaching over 100 projects per year

Selecting projects that focus mainly on development

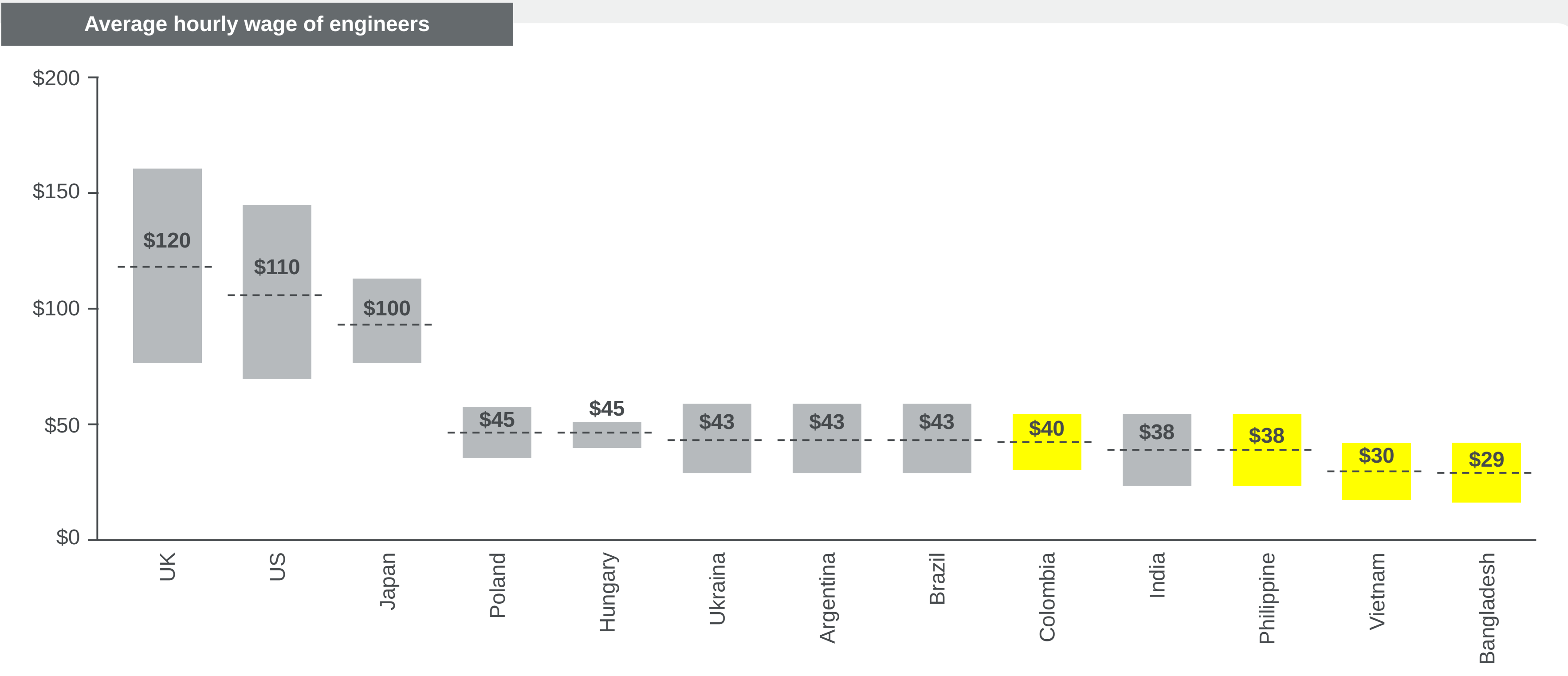
Repeatable solutions

Global application of selected solutions. Targeted marketing to promote sales

### Recent case examples

- **Payment platform introduction support**
- **Generative AI solutions**
  - Various business process automation
  - Educational bots for sales staff, etc.
- **Industry-specific solutions**
  - Factory operation optimization tools for the pharmaceutical industry
  - Automated analysis of consumer feedback

Monstarlab's development locations are located in regions in which development cost is lowest in the world. We will strengthen our capability to acquire development projects by leveraging our cost competitiveness and network that connects these locations.



出所: Fulcrum "Offshore Software Development Rates by Country: Detailed Guide"

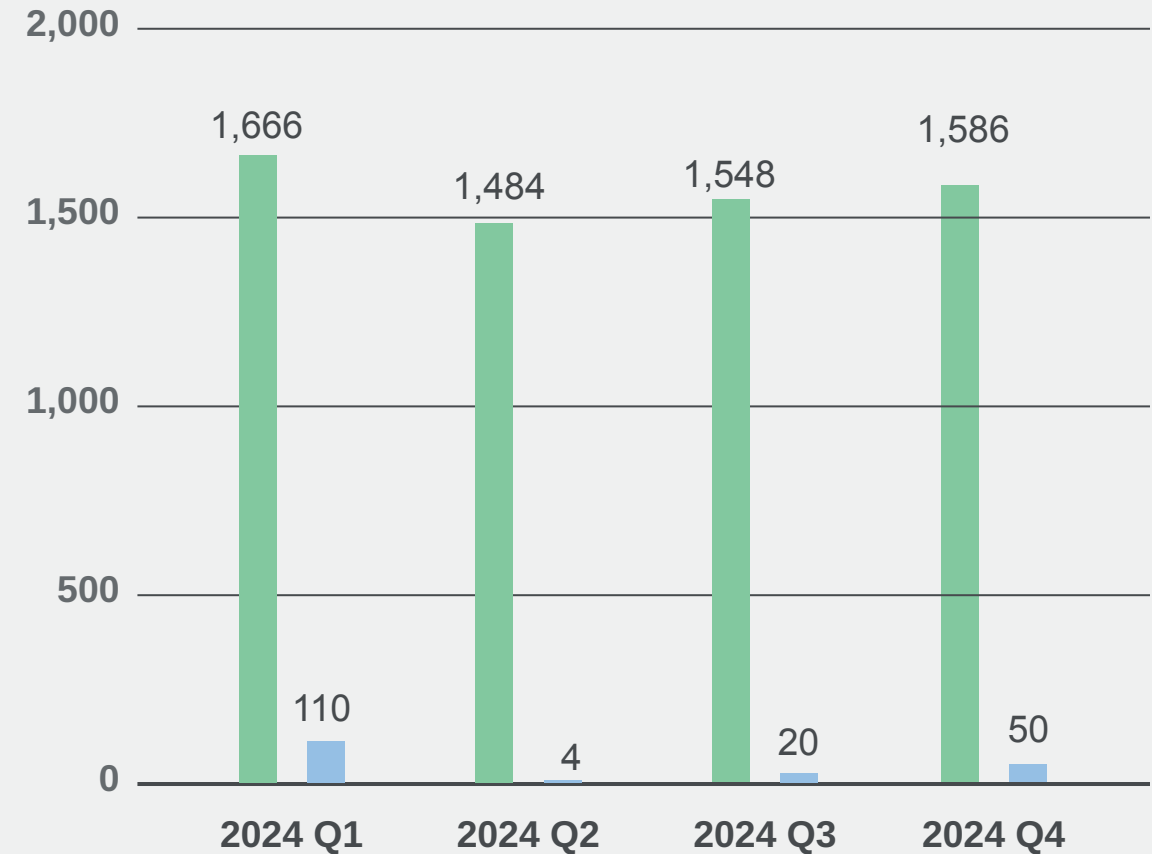
# Earnings forecasts for FY2024 Q3 and Q4: As the cost base has been lowered as a result of structural reforms, we expect that all regions will return to profitability in Q4 excluding structural reform expenses.

APAC: We are currently focusing strategically on acquiring development projects, and some of the existing projects are expected to enter the development phase. As the number of development projects gradually increases, both revenue and profit are expected to improve.

AMER: With the improvement in cost structure as a result of structural reforms and steady revenue growth in our focus domains, AMER has already achieved return to profitability in June on a monthly basis. As revenue grows, profit is also expected to grow.

EMEA: In Europe, revenue from clients in the life sciences and financial services sectors has steadily grown. As we continue to implement structural reforms, forecast is not disclosed.

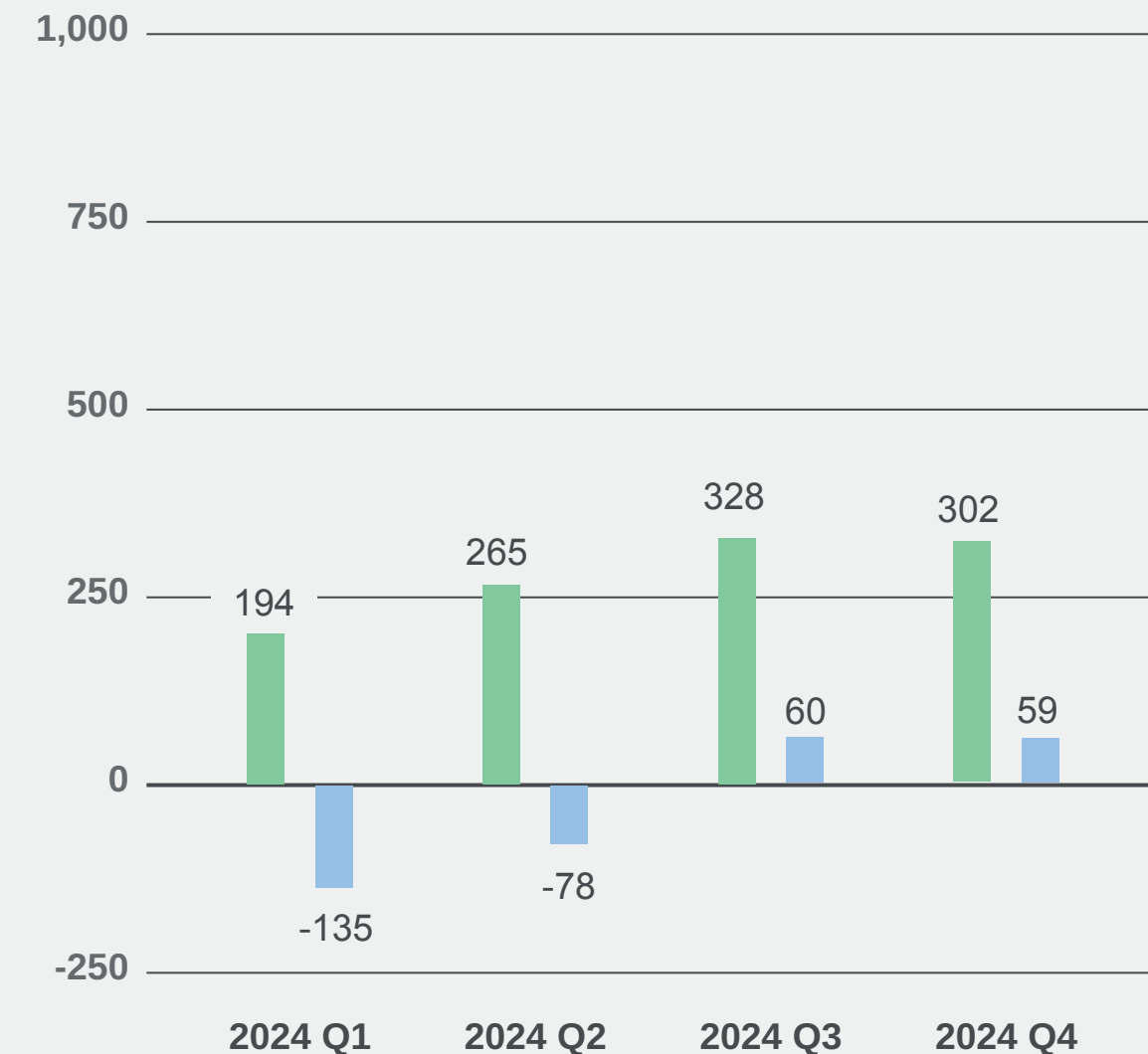
## APAC



Unit: million yen

■ Revenue ■ Operating profit excluding structural expenses

## AMER

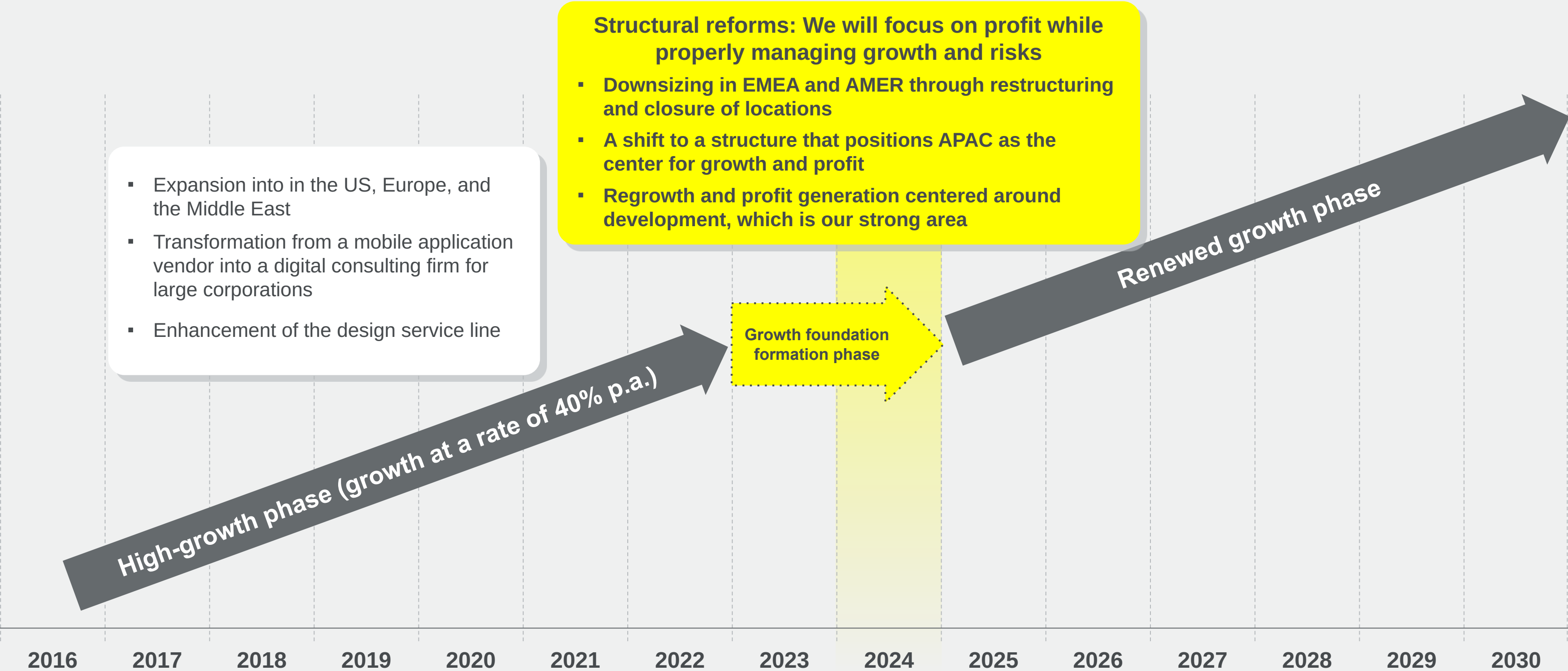


## EMEA

As we continue to implement structural reforms, forecast is not disclosed.



We will complete structural reforms by the end of 2024 to achieve return to profitability in all regions in FY2024 Q4\* and also to build a foundation that enables us to start growing again.\* Excluding the effect of expenses related to structural reform



\*Excluding the effect of expenses related to structural reform

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# Executive Summary

Unit: million yen

Q2 results	
Revenue	
<b>2,542</b> YoY -18.5%	
Operating loss	
<b>-6,099</b>	
Of which structural reform expenses	Of which impairment losses
<b>-779</b>	<b>-4,140</b>
Operating loss excluding structural reform expenses and impairment losses	
<b>-1,179</b>	
Loss attributable to owners of parent	
<b>-5,553</b>	

## FY2024 policy

**Aim at growth foundation formation in order to return to growth from FY2025.**

## FY2024 Q2 highlights

- In APAC, we have steadily acquired data and enterprise projects that utilize generative AI. However, the number of projects in the development phase was too small to compensate for the decrease in revenue due to the completion of existing projects. As a result, revenue decreased 12% YoY. In EMEA, revenue decreased significantly (41%) YoY due to the effect of implementation of structural reforms. Due to the YoY decrease in revenue in APAC and EMEA, consolidated revenue decreased 18% YoY.
- Operating loss amounted to 6,000 million yen in total as we recognized structural reform expenses of 770 million yen and impairment losses of 4,140 million yen. Excluding these structural reform expenses and impairment losses, we recorded an operating loss of approximately 1,100 million yen due to a decrease in revenue in APAC and a significant decrease in revenue in EMEA where we implemented structural reforms.  
We expect a significant improvement in profit in and after Q3 as an estimated cost reduction effect of approximately 820 million yen per quarter will be reflected as a result of structural reform. AMER has already achieved return to profitability in June on a monthly basis, and all regions are expected to return to profitability in Q4.
- As the cost structure has improved significantly as a result of structural reforms, we are steadily progressing toward return to profitability. We have made steady progress also in implementing growth strategies, such as acquisition of projects in the growing data and enterprise domains and trendy generative AI projects and sales promotion of dedicated engineer teams in development locations. In this sense, we are well prepared for return to profitability in all regions in Q4 and return to a growth path from 2025.

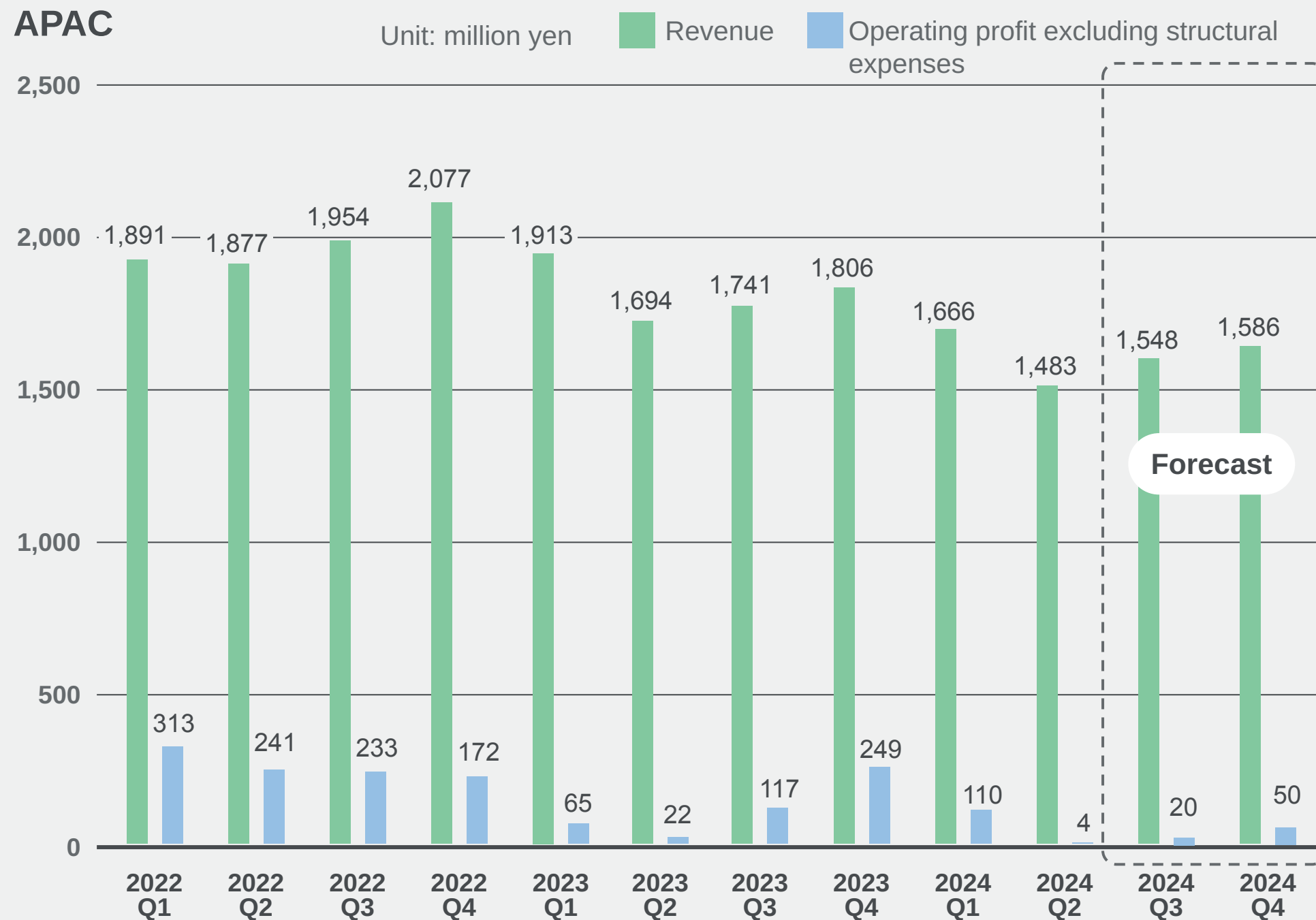


Revenue decreased as we focused on growth foundation formation. We also recognized expenses related to structural reforms and impairment.

Unit: million yen

	FY2023				FY2024			Percentage change from the previous quarter QoQ	Percentage change YoY
	Q1	Q2	Q3	Q4	Q1	Q2			
Revenue	3,638	3,121	3,350	3,236	3,179	2,542	-20.0%	-18.5%	
Cost of sales	2,553	2,293	2,618	2,540	2,507	2,666	+6.3%	+16.2%	
<b>Gross profit</b> (Percentage)	1,084 (29.8%)	828 (26.5%)	731 (21.8%)	695 (22.1%)	671 (21.1%)	△124 (-)	—	—	
Selling, general, and administrative expenses	1,470	1,686	1,668	1,370	1,577	1,837	+16.4%	+8.9%	
Other income	785	52	12	156	18	8	-55.5%	-84.6%	
Other expenses	46	16	100	44	4	4,145	+103,525.0%	+25,806.2%	
<b>Operating profit (loss)</b> (Percentage)	353 (9.7%)	-822 (-)	-1,025 (-)	-562 (-)	-891 (-)	-6,099 (-)	—	—	
Structural reform expenses	—	—	627	250	—	779	—	—	
Impairment losses	—	—	—	—	—	4,140	—	—	
<b>Operating loss excluding structural reform expenses and impairment losses</b>	—	—	-398	-312	—	-1,179	—	—	
<b>Profit (loss) before income tax</b> (Percentage)	251 (6.9%)	-128 (-)	-1,019 (-)	-1,260 (-)	-268 (-)	-5,505 (-)	—	—	
<b>Profit (loss) attributable to owners of parent</b> (Percentage)	197 (5.4%)	-189 (-)	-1,098 (-)	-1,264 (-)	-340 (-)	-5,553 (-)	—	—	

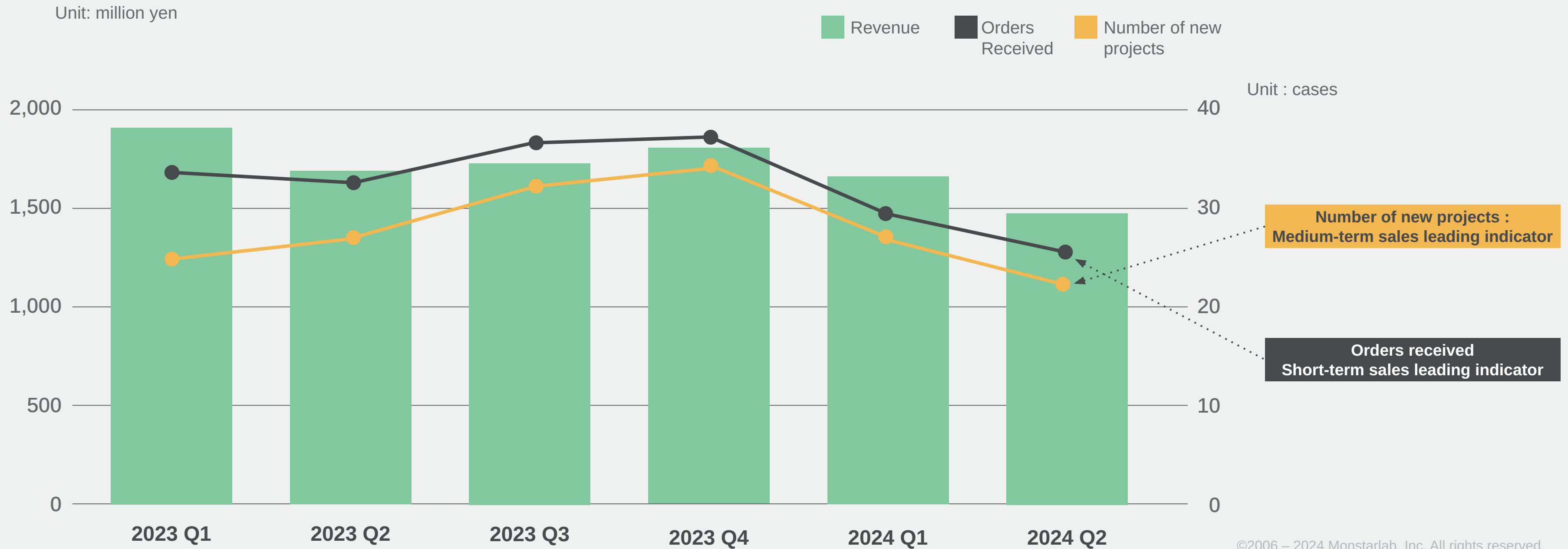
**APAC:** Although we have made progress in acquiring projects in the data and enterprise domains where we utilize generative AI, only a few of them have reached the development phase, and revenue decreased. We aim to achieve revenue growth again by focusing on acquiring development projects.



- Revenue from existing projects decreased as projects acquired before 2022 have been completed as their project lifecycle has run its course, and many of the strategic projects that we focused on acquiring during the period from 2022 to the first half of 2023 have been completed before they reach the development phase. On the other hand, acquisition of new development projects has been on a recovery trend since the second half of 2023. However, the number of such development projects was still smaller than that during the peak period and was insufficient to compensate for the decrease in revenue from existing projects.
- In the short term, we aim to restore revenue for the coming quarters by strengthening our sales organization and marketing, focusing particularly on acquiring development projects. Toward 2025 we will work to return to a fast-growing business as in years through 2022 by strengthening the data and enterprise domains (a 65% increase in the number of inquiries compared to Q1) leveraging generative AI and starting global direct sales through APAC development locations.
- As for profit, we continued to generate a profit through thorough cost control despite the decrease in revenue. Profit, as well as revenue, is expected to recover gradually over Q3 and Q4.

# APAC: Although both the number of newly acquired projects and the amount of orders received have been sluggish, we have steadily acquired projects in our focus domains.

- We newly acquired 22 projects, including 13 development projects. The number of newly acquired development projects increased 45% YoY.
- We have steadily acquired projects in our other focus domains, such as data/enterprise and generative AI. However, their contribution to the amount of orders received was limited as they were still in the initial phase.



# We have steadily acquired projects in our focus domains, such as development, data and enterprise, and generative AI.

- We have acquired several large development projects. As they are still in the requirements definition phase, revenue from them was limited in Q2. However, they are expected to gradually move to the development phase in Q3 and Q4.
- We continued to make progress in acquiring projects in our new focus domains, such as data/enterprise and generative AI.

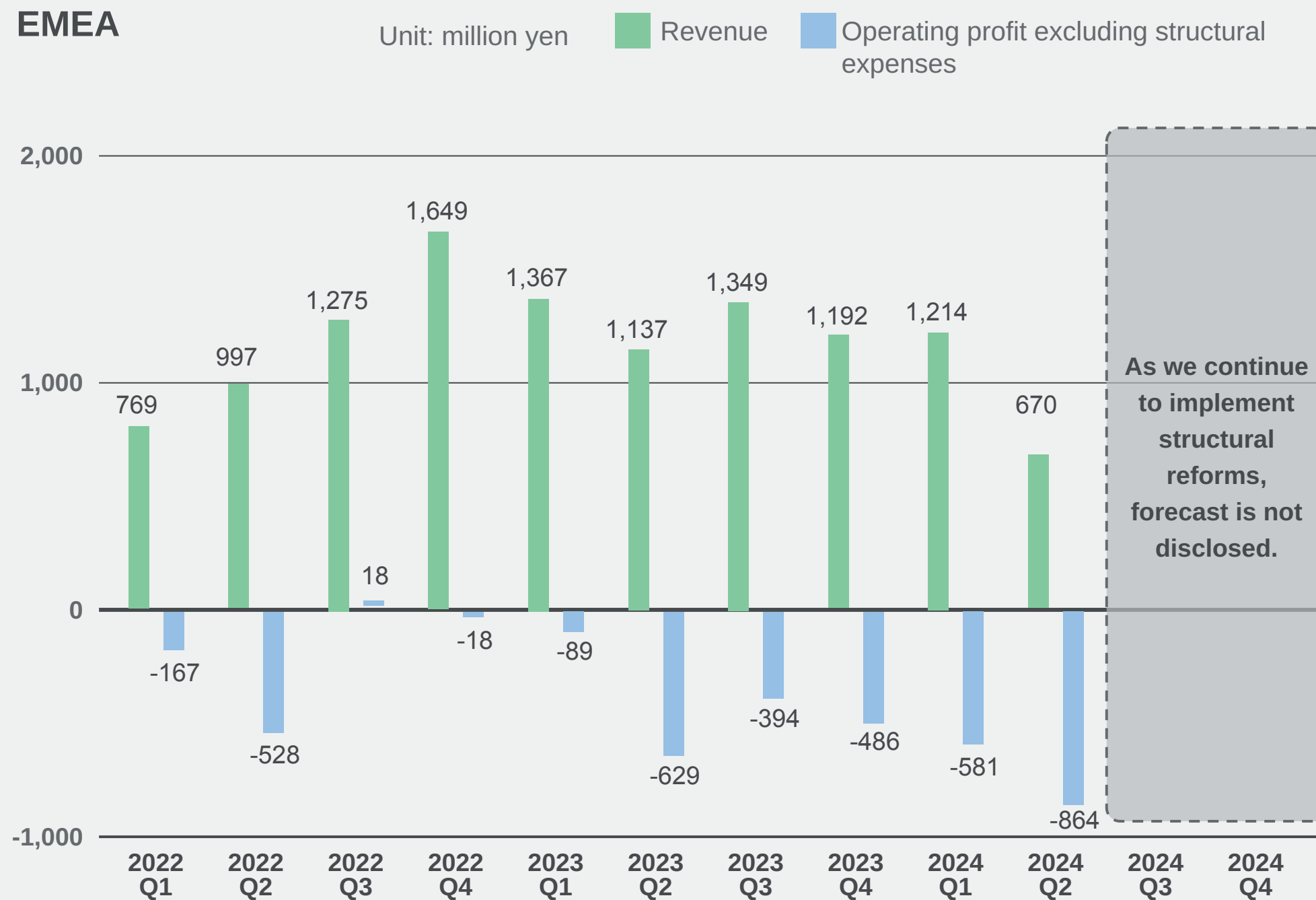
## ► Examples of projects won in APAC in 2Q

Sector	Project Summary
Manufacturing	Development and introduction of products that utilize generative AI and creation of next-generation business processes and user experience
Manufacturing	Creation of a data management foundation for improving user experience for products and realizing transformation into a data-driven business on a group-wide basis
Logistics	Cloud migration and new function development for services for increasing efficiency in delivery services for customers
Services	Cross-departmental data integration and development of business systems for future data utilization by a large corporate client with a large number of departments
Technology	Provision of a dedicated development team (in Vietnam) for the development and growth of a large-scale e-commerce site



# EMEA :

Due to the execution of structural reforms, project delivery and sales activities stagnated or stopped. As a result, revenue decreased significantly.

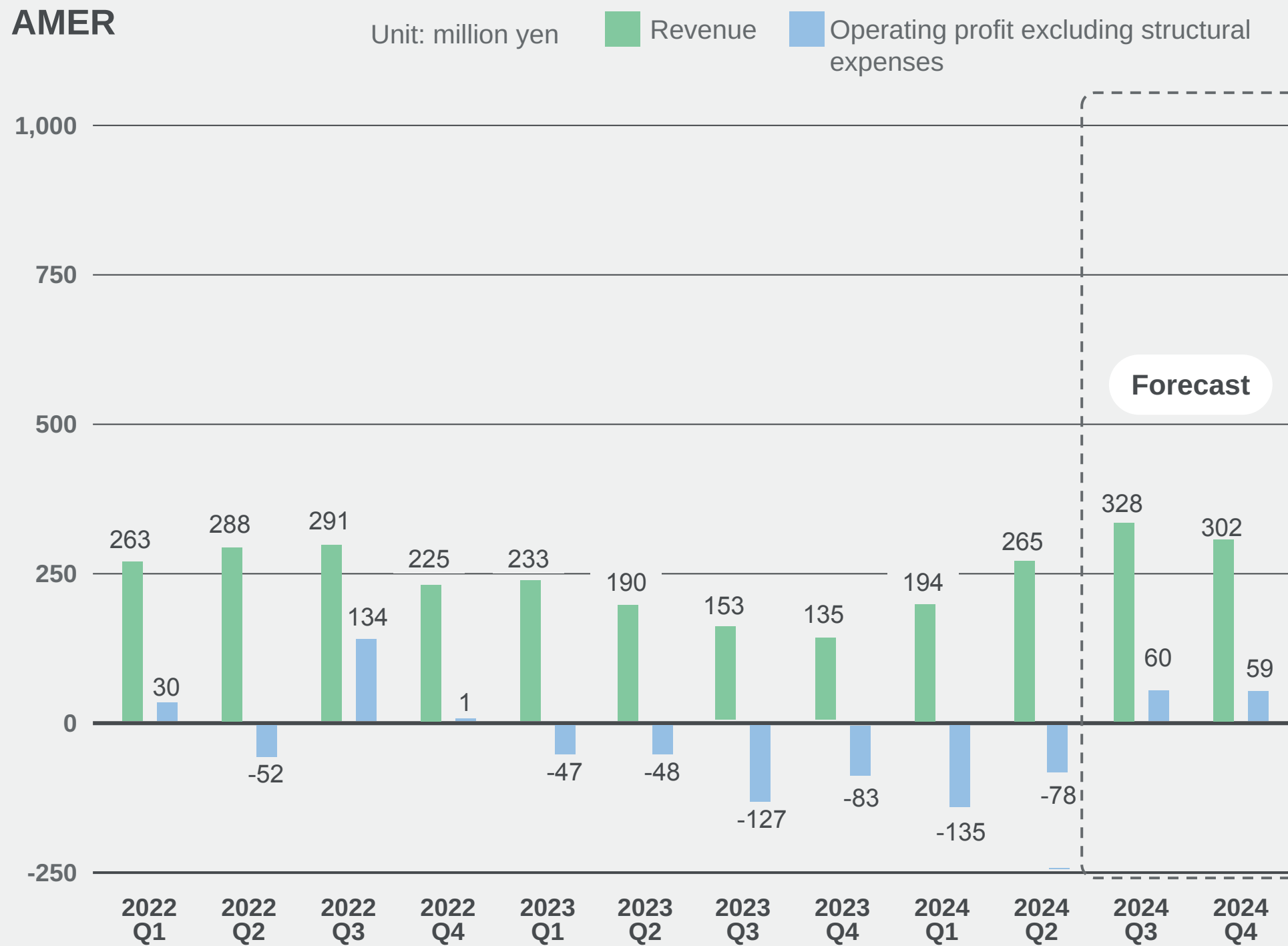


- We focused on executing major structural reforms, including the closure of our German location and personnel reduction by more than half. As a result, project deliveries and sales activities have currently stagnated or stopped, and revenue decreased significantly.
- Through the structural reforms, we have clarified strategies and structures. We have identified existing clients to focus on due to their high revenue growth potential in life sciences and financial services, which are our focus sectors, and our teams dedicated to each account executed a strategy to increase revenue per client through upselling and cross-selling. As a result, the pipeline has grown steadily.
- As for operating profit, we recorded a significant operating loss due to the decrease in revenue. While it is not until Q3 that the impact of structural reforms on operating profit is expected to materialize, the cost structure has steadily improved. We will continue to implement structural reforms to improve profit.



# AMER :

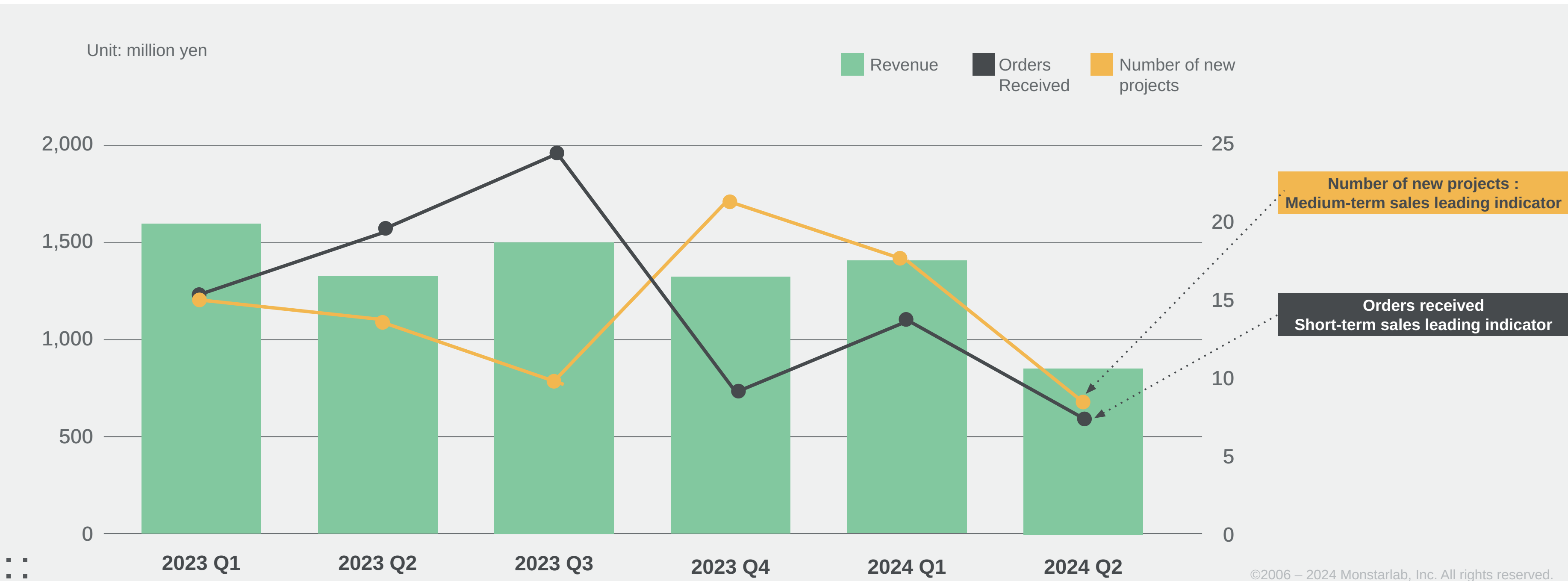
Revenue from existing clients grew while project acquisition in our focus domains went well. As a result, AMER achieved return to profitability in June on a monthly basis.



- As projects for existing clients entered the development phase, revenue increased steadily both YoY and QoQ. In addition, as we are making progress in acquiring projects in the life sciences and finance domains, which are our focus domains, and in leading-edge domains with the utilization of AI and data, revenue is increasing steadily.
- As for profit, we still recorded a loss in Q2 as the effect of structural reforms has not yet been reflected and due to the strategic adjustment to the profit margin in the initial phase for new important clients acquired in Q1. However, AMER has already achieved return to profitability in June on a monthly basis under the cost structure after structural reforms. The region is expected to continue to generate profits in and after Q3.

# EMEA & AMER : Although project acquisition was stagnant due to the execution of structural reforms, the pipeline has grown recently.

- The number of newly acquired projects and the amount of orders received were sluggish in Q2 due to the execution of structural reforms.
- As we have clearly identified clients for strategic expansion and the necessary team, the pipeline has grown particularly for existing clients through upselling and cross-selling.



# Project acquisition was strong in our focus domains, such as life sciences and financial services, and in cutting-edge domains, such as data and AI.

- Our focus on life sciences, financial services, and certain other industries worked as leverage in client acquisition.
- We are also acquiring an increasing number of projects in cutting-edge domains, such as projects that utilize generative AI and projects for creating a data platform to utilize generative AI.

## ► Examples of projects won in EMEA & AMER in 2Q

Sector	Project Summary
<b>Financial services</b>	Formulation of best practice in group-wide operations that utilize digital technologies and its group-wide introduction
<b>Life sciences</b>	Execution support for digitalization of global operations
<b>Manufacturing</b>	Preparation of a road map for the formulation and execution of digital transformation strategies
<b>Construction</b>	Formulation of strategies and a road map for future utilization of AI and digital transformation and development of multiple products
<b>Technology</b>	Support for data management and security upgrades as part of foundation formation for future growth
<b>Human resources</b>	Preparation of a road map for the utilization of generative AI in recruitment activities and development of generative AI products



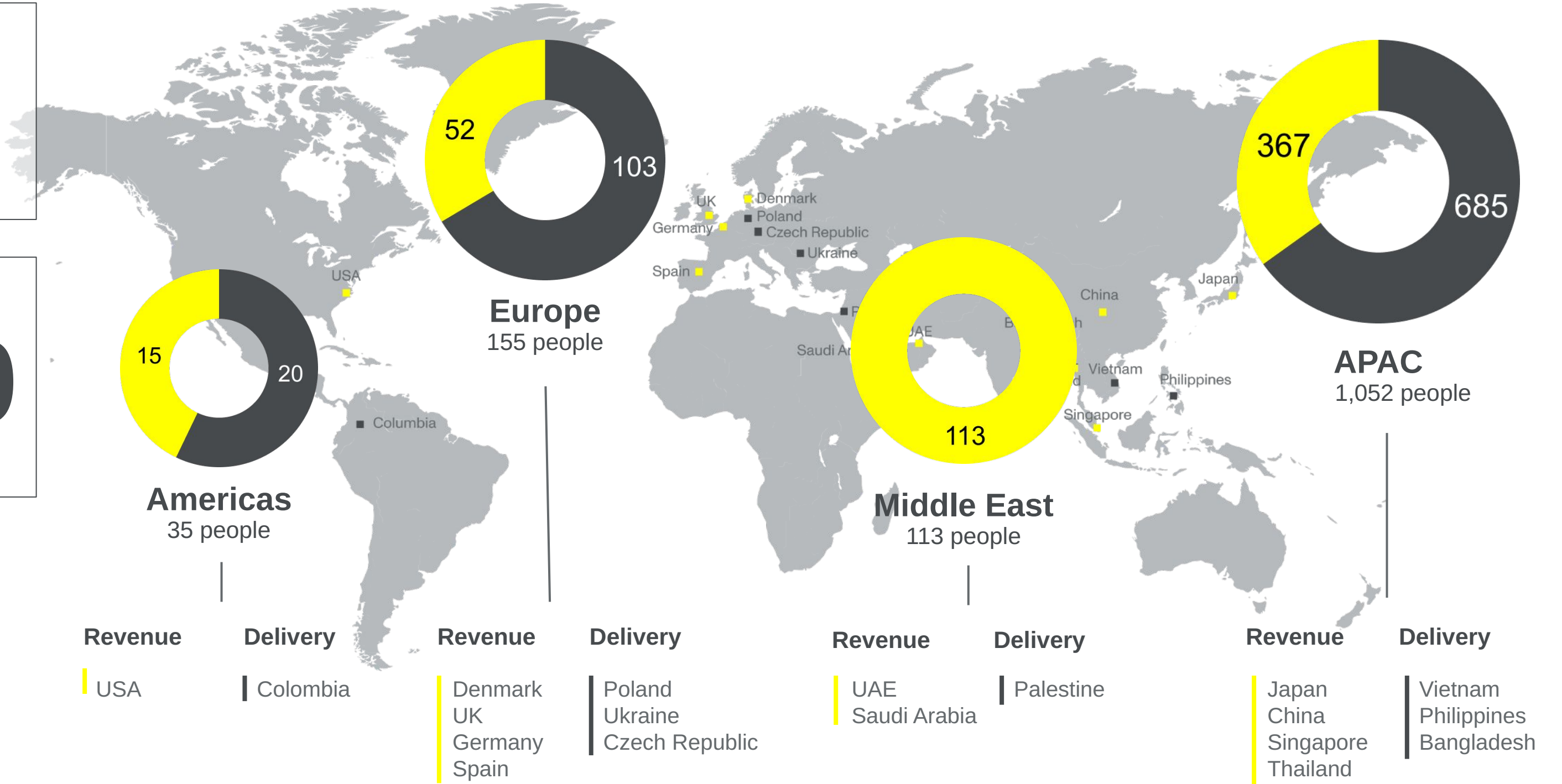
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Our organization of 1,350 people globally comprises Revenue Centers (mainly in Japan, W. Europe, and USA) and Delivery Centers (mainly in S.E. Asia, E. Europe, and S. America)

Areas of operation  
**19** countries & Regions

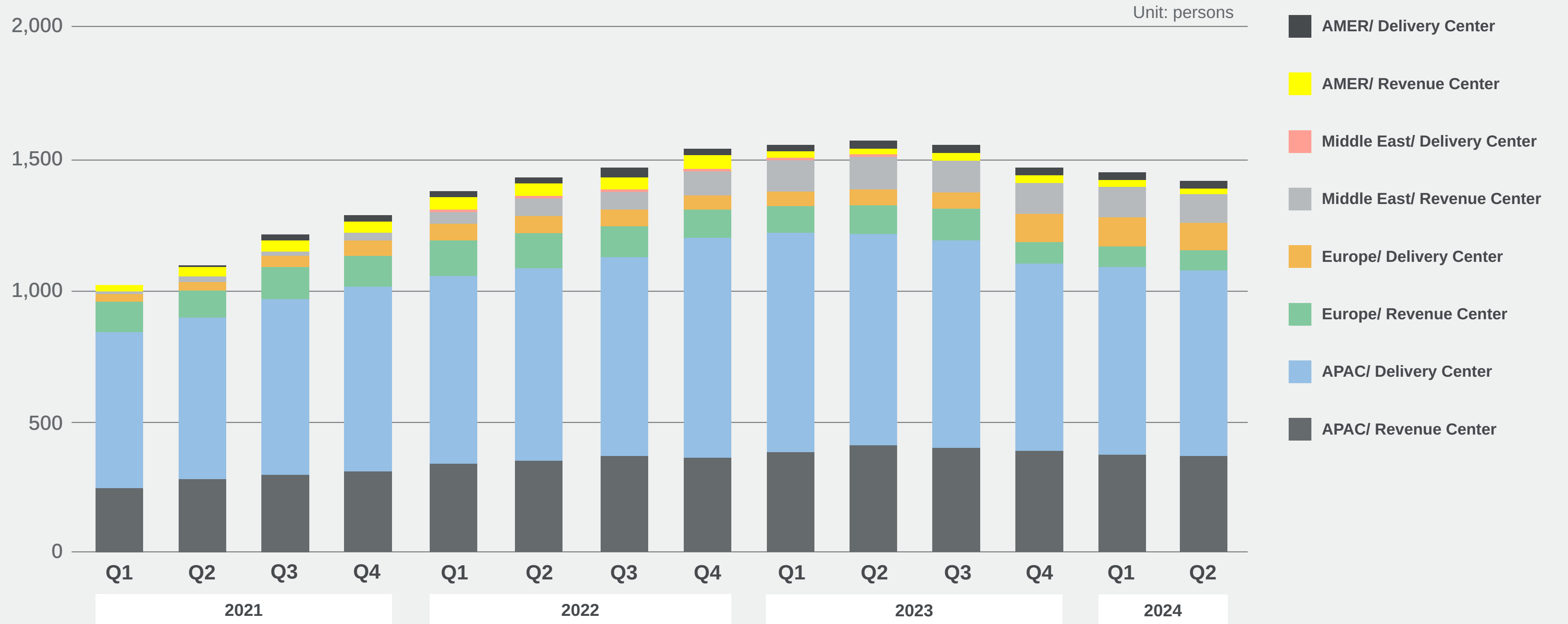
Employees  
About **1,350**  
People worldwide



Notes: As of December 31, 2023. Locations include subsidiary offices. APAC = Asia Pacific



# The headcount decreased slightly due to structural reforms.



Note : Due to a change in the aggregation method, the headcount figures in FY2022 Q4 for the APAC Revenue Center have been updated from those in the Q1 results presentation for the period under review. © 2024 Monstarlab, Inc. All rights reserved.

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Forward-looking statements in this document are based on current estimates and projections that involve risks and uncertainties and are not guarantees or assurances.

Forward-looking statements in this material are based on information obtained by the Company as of the present date. Furthermore, although this material contains forecasts and other forward-looking statements, including from the Company's plans, strategies and the like, as well as forecasts of results, no assurance or guarantee is made as to whether such forecasts and other forward-looking statements will be realized as per such statements. Going forward, actual results may differ from these forecasts and other forward-looking statements due to changes in the economic situation or in the requirements for the services provided by the Company, revisions of laws and regulations, the risk of changes in global conditions, and various other uncertainties. As such, it is advised that complete dependance on such forecasts and other forward-looking statements should be avoided.

Furthermore, please be advised that this material contains financial information and statements based on past financial statements or accounts, as well as management figures not based on the financial accounts, and that such contained information, statements and figures have not been reviewed by an independent certified public accountant or audit cApart from cases in which requests are made pursuant to applicable laws or under the regulations of securities exchanges, the Company is under no obligation to any update or correct any information contained within this material pursuant to the occurrence of any future event.orporation.

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Monstarlab Holdings, Inc.(Securities Code: 5255)

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**Monstarlab ∴ ∴**

**Empower talent everywhere to engineer awesome  
products, services and ecosystems; building a brighter  
world for us all**

**Monstarlab ::**